

Service Date: January 22, 2001

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application)	UTILITY DIVISION
of Qwest Corporation)	
for Authority to Detariff Its)	DOCKET NO. D2000.1.4
Directory Assistance Services)	ORDER NO. 6228b

FINAL ORDER

Introduction

1. On January 10, 2000 Qwest Corporation (formerly known as U S WEST Communications, Inc.) filed an application to detariff the price, terms and conditions for directory assistance service consistent with § 69-3-807, MCA. If detariffing were granted in the form requested by Qwest, the company would be able to file changes to prices, terms and conditions of the service using a price list filing. Qwest would file new tariffs with specific prices deleted and would change prices using a price list filing which becomes effective with seven days advance notice. Price list filings do not require Montana Public Service Commission (Commission) approval. This application would not affect directory service provided to payphone service providers who subscribe to Public Access Lines (PAL). Those customers are currently charged 25 cents per call.

Directory Assistance Rate Structure

2. Currently all customers are provided three directory assistance (DA) calls per month at no charge and can request two numbers in each call. Customers are charged 40 cents per call for any calls over the three no charge calls allowed each month. The charge applies to DA calls for phone numbers in area code 406. If a customer calls Qwest for a number outside the 406 area code, the call is transferred to National Directory assistance (NDA) and the customer is charged 85 cents for the call.¹ The customer can request two phone numbers on a National Directory assistance call. If on one DA call the customer asks for a number within the

¹ Docket No. N97.8.152, effective September 9, 1997.

406 area code and one outside the 406 area code, the 85-cent charge applies. Directory Assistance is available from Qwest by dialing 411, 1411, 555-1212, or 1(406) 555-1212.

Procedural Background

3. The Commission issued a notice of Qwest's application on February 8, 2000. The Montana Consumer Counsel (MCC) intervened and has been an active party in this docket. The Commission issued Procedural Order No. 6228a on April 14, 2000, which contained a procedural schedule with deadlines for discovery and prefiled testimony. Hearing was held on September 5, 2000, and briefing was completed on November 17, 2000.

Statutory Framework

4. “Detariffing” of a service means that instead of filing a tariff with the Commission for approval, a price list is filed. Changes to a price list go into effect with 7 days notice and do not need Commission approval. The detariffing Qwest proposes applies to prices, terms and conditions.

5. Pursuant to § 69-3-807, MCA, the Commission has authority to establish rates, tariffs or fares for the provision of regulated telecommunications service, which must be just, reasonable, and nondiscriminatory. Alternatively, the Commission can authorize the provision of regulated telecommunications service under terms and conditions that best serve the declared policy of the state to maintain universal availability of basic telecommunications service at affordable rates and, consistent with maintaining universal service, encourage competition in the telecommunications industry and allow access by the public to advances in telecommunications technology. Instead of fixing and determining specific rates, tariffs or fares, the Commission may:

- ◆ totally detariff the service;
- ◆ detariff rates for the service but retain tariffs for service standards and requirements;
- ◆ establish only maximum rates, only minimum rates, or permissible price ranges as long as the minimum rate is cost compensatory; or

- ◆ provide other rate or service regulation as will promote the purposes of this part (of the Act).

§ 69-3-807(2), MCA.

6. Detariffing services differs from deregulating services. For detariffed services, the provider must maintain a current price list with the Commission. In determining if alternative regulation such as detariffing can be granted, the Commission must take into account:

- ◆ the number, size and distribution of alternative providers of service;
- ◆ the extent to which services are available from alternative providers in the relevant market;
- ◆ the ability of alternative providers to make functionally equivalent or substitute services readily available;
- ◆ the overall impact of the proposed terms and conditions on the continued availability of existing services at just and reasonable rates; and
- ◆ other factors that the Commission may prescribe through rulemaking that are appropriate to fulfill the purposes of this part.

§ 69-3-807(3), MCA.

Summary of Testimony and Arguments

Qwest Direct

7. Qwest's witness, David Teitzel, categorized Qwest's current directory assistance offerings as traditional intrastate DA, through which customers obtain in-state telephone numbers and addresses, and national DA, which applies when a customer requests an out-of-state phone number or address. Two telephone numbers may be requested in the same DA call. A customer is allowed three free intrastate DA calls per month and is charged 40 cents per DA call after that. Qwest's national DA costs 85 cents per call. Customers obtain Qwest DA by dialing 411, 1-411, 555-1212, or 1-406-555-1212.

8. According to Mr. Teitzel, there are substitutable and functionally equivalent DA services available from a significant number and type of competing providers for each of Qwest's DA services. Interexchange carriers (IXCs) offer national and intrastate DA to Montana

consumers, Mr. Teitzel testified. He said consumers may obtain DA from their chosen 1+ interstate long-distance provider by dialing the desired out-of-state area code followed by 555-1212. He added that AT&T customers may use the shortcut of dialing just "00" to obtain AT&T DA for local or long-distance phone numbers. Using AT&T's DA as described in its Montana PSC price list as an example of the prices and terms offered by competing IXC DA providers, Mr. Teitzel cited AT&T charges \$1.15 per call for one DA request per call. Additionally, he said, AT&T's "00" and 10-10-288-00 DA service allow a consumer to request up to 12 listings per DA call that costs 99 cents (customer billed 99 cents for every two listings requested) and also provide call completion as part of the DA service. Mr. Teitzel pointed out that many IXCs also offer unregulated dial-around DA service, which any Montana consumer can use by dialing the carrier's "10-10-XXX" number.

9. Mr. Teitzel testified that two competitive local exchange carriers in the state -- Mid-Rivers Telephone Cooperative and Blackfoot Telephone Cooperative -- offer DA to wireline and wireless telephone users. He said Mid-Rivers provides DA in 20 Montana counties and Blackfoot offers DA to wireline customers in Missoula and to wireless customers in Missoula, Bozeman, Billings, Great Falls, Helena and Butte. Mr. Teitzel testified that Eclipse Communications' Montana tariff lists its regional DA service at 57 cents per call for regional DA and 64 cents per call for national DA. He said Blackfoot provides DA for 85 cents per call and that Mid-Rivers bills customers for DA at the same rate charged by Qwest.

10. According to Mr. Teitzel, wireless carriers, including CommNet Cellular, Three Rivers PCS and Western Wireless d/b/a Cellular One, provide DA (unregulated by the PSC) to their Montana customers. He said Blackfoot Communications Wireless and Western Wireless offer local or national DA at 75 cents per call, CommNet offers DA at 85 cents per call, and Three Rivers charges 60 cents per call.

11. DA information that is available from online providers on the internet is another alternative type of DA assistance available to Montanans cited by Mr. Teitzel. He said a recent review completed by Bellcore found 14 major internet providers of directory listings. Mr. Teitzel noted internet DA is not regulated by the Commission. He asserted that 20 million consumers access the 15 most popular internet DA web sites in the U.S. each month.

12. Finally, Mr. Teitzel asserted that DA service obtained via calling cards and through the numerous payphone providers in Montana are competitive alternatives to Qwest DA.

13. Mr. Teitzel attached to his testimony (Exhibit DLT-1) a three-page list of DA options and their prices offered by each type of provider that Mr. Teitzel asserted were examples of competitive alternatives to Qwest's DA. The list included: dial-around DA options, such as AT&T's nationally advertised 10-10-288 number at 99 cents per call; presubscribed long-distance carrier DA options, ranging in price from Access Long Distance's 45 cents per call to Worldcom's \$1.40 per call; a competitive local exchange carrier DA option at 85 cents per call from Blackfoot Communications; four wireless DA options, ranging in price from 60 to 85 cents per call; and numerous DA options available on the internet.

14. Mr. Teitzel asserted the alternative DA providers are financially sound companies, most of whom provide statewide DA service, that are capable of effectively competing against Qwest to provide DA service to Montana customers. Regarding availability of internet DA to Montanans, Mr. Teitzel cited a 1998 study that concluded 40 percent of Montana households have a computer and 25 percent have internet access.

15. According to Mr. Teitzel, Montanans are aware of alternative providers' DA offerings because they are widely advertised on television, in print media, and through internet advertising. He said every Qwest customer in Montana has at least three alternatives to Qwest's DA, as follows: (1) obtain local and long-distance DA from the customer's presubscribed interstate long-distance carrier by dialing (area code) 555-1212; (2) use AT&T's dial-around DA service at 10-10-288-00, which works even for consumers not presubscribed to AT&T; and (3) dial 10-10-XXX (carrier code)-1-XXX (area code)-555-1212 to reach DA provided by a dial-around carrier.

16. Mr. Teitzel testified that detariffing Qwest's DA services will benefit Montana customers because it will result in innovation and quicker implementation of new services with more advanced features. He argued the regulatory constraints faced by Qwest put Qwest at a competitive disadvantage. For example, he said, Qwest must obtain PSC approval of any DA change by making a formal PSC filing, including tariffs, cost support, financial analysis and justification, at least 30 days in advance of the proposed effective date. Mr. Teitzel claimed that

the requirement to file proposed tariff changes at the PSC in a publicly available filing gives DA competitors advance notice of Qwest's marketing strategy and allows them to delay implementation of DA changes by intervening in the PSC proceeding.

17. Mr. Teitzel asserted the DA market in Montana has become fully competitive. As evidence, he pointed to the sharp decline in Qwest DA usage from 1987 to 1998 (the percentage is a proprietary number), while the overall DA market is growing and seeing new services being introduced and aggressively marketed. Detariffing of Qwest's DA is in the public interest and will encourage all DA providers to meet the price and service needs of Montana DA customers, according to Mr. Teitzel.

18. In summary, Mr. Teitzel said Qwest's DA services should be detariffed in accordance with § 69-3-807, MCA, because they are subject to effective competition as evidenced by the number of alternative DA providers that are offering DA services that are directly substitutable and functionally equivalent to the DA services provided by Qwest. He claimed the competitors' prices, terms and conditions for DA services are comparable to Qwest's.

Montana Consumer Counsel

19. Allen Buckalew testified for the MCC. Mr. Buckalew recommends the Commission deny this request because Qwest has not provided the PSC with sufficient evidence to support detariffing DA service. He recommends the Commission continue to deny such a request until Qwest can prove workable competition exists in the DA market. Mr. Buckalew argues that in the past the Commission has included DA as part of local exchange service and suggests that Qwest has been trying to “unbundle” or separate DA from local service for a long time. Detariffing DA will effectively unbundle the service from local service and give Qwest the ability to increase prices at will in a noncompetitive marketplace.

20. Mr. Buckalew contends that while Qwest has provided a list of providers in its application, it is deficient in providing information on the size and distribution of alternative providers. Workably competitive markets require a large number of providers, none of whom has the ability to influence prices. Market share can be used, according to him, as a good indicator of the degree of competition in a marketplace. He has prepared his own estimate of Qwest's market share that indicates that at least 50 percent and probably more like 60 percent of

the market is held by Qwest. The witness for Qwest stated in his testimony that “US West does not have access to its competitors call volumes,” and so did not provide any estimate of its share of the DA market.

21. Mr. Buckalew suggests that the decline in volume cited by Qwest may not be indicative of declining market share, but rather a general decrease in volume as consumers became aware that the number of free calls fell from 5 to 3 and the price for DA went up in 1988.² But even if Qwest was losing volume to competitors its market share is still “overwhelming.”

22. Mr. Buckalew suggests that the presence and degree of competitive advertising might be an indicator of degree of competition. According to Qwest’s witness, AT&T spent 12 million dollars advertising its DA during the previous year (1998). However, Mr. Buckalew points out this advertising was on a national basis. When the MCC requested copies of all advertising by alternative DA providers, Qwest provided information on only two—AT&T and TALK CENTS.

23. Mr. Buckalew contends availability of service means that customers in each and every exchange that Qwest wants to detariff must have service choices available from alternative suppliers at a competitive price. Since Qwest wants all its territory detariffed it must provide that information on an exchange by exchange basis. Qwest has not provided any analysis to prove that customers in each exchange have alternative choices for DA.

24. Mr. Buckalew also argues that the substitutes Mr. Teitzel cites for Qwest DA service are not truly equivalent services. Currently Qwest customers can dial 411, or 1-411. Their alternatives are to dial 1-406-555-1212, use a dial-around code to reach an alternative provider, or if subscribed to AT & T for long-distance interchange service, they can dial “00” to access DA. Dialing these many digits does not equate to the three digits of 411. Under none of these alternatives is there the equivalent to the three free calls per month currently part of Qwest’s tariffed DA service. Qwest’s witness suggested that wireless service or internet-based directory services are also easily available substitutes for directory assistance. Customers with

² Mr. Teitzel in his rebuttal testimony points out that the change occurred in 1989. See page 6, lines 11-13.

wireless service can use their wireless provider for directory assistance. But Qwest's witness does not mention that one must subscribe to the wireless service first and either invest in equipment or sign a long-term service subscription. Mr. Buckalew makes the same criticism of internet-based DA as of wireless service. Internet DA service is available if the customer pays the up-front costs for the equipment and the subscription fees to the internet service provider.

25. Mr. Buckalew notes that "normally competition brings lower prices."³ However, in this case Mr. Buckalew predicts that Qwest will increase the price of DA to 85 cents from the current 40 cents just as it has done in Colorado and in the other states where Qwest has been authorized deregulation. If Qwest gets rid of the three free calls, and increases prices as it has done elsewhere, the effective increase to local exchange customers using six DA calls per month could be 325 percent.⁴ According to Mr. Buckalew prices are not competitive in this market and as support he points to other states where the price of DA is higher than cost after detariffing or deregulating. The prices are so much above cost, the market must be far from competitive. In a competitive market prices would approach costs, not be two or three times cost.

Qwest Rebuttal

26. Mr. Teitzel seeks to refute Mr. Buckalew's contention that Qwest did not provide alternatives. He states that he listed 50 options in his direct testimony, including IXCs and dial-arounds, CLECs, wireless and Internet. With regard to their size, he notes that two of these competitors, AT&T and WorldCom, are larger than Qwest. Every Montana consumer has an alternative to Qwest DA because AT&T and WorldCom operate throughout the state. While AT&T and WorldCom are Qwest's primary competitors in DA market, consumers also have dial-around service and those with access to the internet can use internet white pages which he contends offers many "enhancements" to traditional DA.

27. According to Mr. Teitzel, Qwest has "overwhelmingly" met the requirements of MCA 69-3-807. He accuses Mr. Buckalew of proposing a new "test" for detariffing a service, outside the scope and bounds of state statute. Mr. Teitzel argues there is no basis in Montana law for workably competitive, the standard urged by Mr. Buckalew for guidance in detariffing. He

³ P. 13, line 17 of Allen Buckalew testimony.

takes issue with one of Mr. Buckalew's background references, likening it to Cliff's Notes version of economic theory and questions its vintage and relevance to today's telecommunications environment.⁵ He questions how Mr. Buckalew knows about the cost of DA offered by Qwest in other states or by AT&T.⁶

28. Qwest claims it cannot determine its market share because it is not able to measure the entire market, but Mr. Teitzel contends that Qwest has lost "significant proportion of the Montana DA market to competition."⁷ In support of detariffing he points to the FCC decision where AT&T was classified as a non-dominant carrier in the MTS and WATS market when its market share fell from 90% in 1980 to 58.6% in 1995.⁸ Mr. Teitzel rejects Mr. Buckalew's theory that the reduction in Qwest DA volumes could have been a reaction to a decrease in the late 1980's in allowed free DA calls from 5 to 3 and the concurrent increase in price. He questions whether a change in rates in 1989 would still be affecting volumes today.

29. Altogether WorldCom and AT&T spent over \$91 million in 1999 in national television and print on their national DA service, according to Mr. Teitzel. AT&T's campaign included advertising on top rated national programs and adding a section on its website with information on its "00" product. While he is unsure how many Montana consumers saw the AT&T ads or accessed the website, Mr. Teitzel argues that it is reasonable that a large number are aware of this DA alternative.

30. Mr. Teitzel states that § 69-3-807, MCA, does not specify the same service choices must be available in each and every exchange. But he argues that the record in this case shows that every customer in Montana has at least 3 choices for DA – local DA, DA-interLATA, and DA dial-around. Additionally internet and wireless service DA are available. After he filed his direct testimony in this case he learned that whenever a customer dials "00" for DA, the

⁴ Assumes the cost of six DA calls goes from \$1.20 (0+0+0+.40+.40+.40) to \$.85 (6*.85).

⁵ The reference is The MIT Dictionary of Modern Economics, Third Edition.

⁶ Teitzel rebuttal testimony, p. 10, lines 15-26.

⁷ See p. 5, Teitzel rebuttal testimony.

⁸ CC Docket No. 70-252, First Report and Order, 85 FCC 2d 1 (1980) and FCC 95-427, Order, October 23, 1995. See page 6 of Teitzel rebuttal for full citation.

customer is connected to his or her presubscribed interLATA carrier's DA service. He notes a recent consultant's study of the DA market reportedly showing that AT&T's promotion of "00" has increased volume of DA, not just for itself, but also for WorldCom and other interLATA carriers. In Montana customers are subscribed to a large number of interLATA carriers. As of May 15, 2000, small business customers had presubscribed to 65 different carriers, residential customers had presubscribed to 66 different long distance carriers.⁹

31. Mr. Teitzel corrects Mr. Buckalew concerning the Qwest's failure to provide information on prices of wireless service DA. Qwest did provide information on prices of four wireless carriers in schedule DLT-1. He disagrees with Buckalew's argument that there are no functionally equivalent services because competitors do not offer similar free call allowances. He argues that the free call allowance is not a matter of equivalent service but one of pricing policy and suggests that it is obvious that other competitors would not offer free directory assistance calls because they need to make a return to remain viable financially. In terms of impact on customers, a large majority of Qwest's residential and business customers do not use DA in any given month (prop. schedule DLT-2). Ending the practice of allowing three free DA calls in any given month would not affect the majority of Montana consumers in that month. Mr. Teitzel concludes that Mr. Buckalew's discussion about future price changes and the impact these may have should have no bearing on the Commission decision.

32. Mr. Teitzel states that Qwest believes the marketplace for directory assistance is competitive and the marketplace will control prices. In its service territory, DA service has been deregulated in Colorado, Idaho, Nebraska, North Dakota, and Wyoming and detariffed in Arizona, Utah, South Dakota, Washington, and Minnesota. One free call is allowed in Arizona and Minnesota. In Washington one free call is allowed for residential customers. In all states Qwest provides free calling to DA for customers with special needs such as hearing impaired or speech impaired.

⁹ See Qwest's response to PSC Data Request 2a.

COMMISSION DISCUSSION AND DECISION

Degree of Competition in Directory Assistance Services

33. Qwest argues that the market for DA is competitive and cites DA provided by IXC's and CLEC's, DA from "dial-around" providers, DA offered by wireless providers and DA available from internet sites. Qwest says it was unable to provide information on its actual market share of DA service because it does not have access to its competitors' DA volumes.¹⁰ However according to a data response,¹¹ in Montana between 1996 and the present call volumes dropped despite growth in other aspects of the market. The number of calls by class for the time period from 1987 (before the last rate change and reduction of free calls) to 1998 shows a greater decline for business than for residential lines.¹² According to information contained in the response to PSC 02-019, Qwest has a significant percentage of the market for local DA with the balance provided by others, such as resellers, several local exchange carriers, and independent telecom carriers. Unfortunately the study contained in PSC 02-019 focuses on Qwest's estimated share in Montana which may include areas outside Qwest's service territory and does not appear to include DA obtained from internet providers or other sources. The market study did provide qualitative information indicating business line customers are relatively more responsive than residential customers to price changes and more able to use alternative sources of directory assistance.

34. Qwest also provided quantitative data on the percentage of households in Montana with personal computers (40 percent) and the percentage of households with access to the internet (25 percent). Qwest argues that its declining DA volumes are also proof of increasing competition from these alternatives to its DA service.

35. The MCC argues that using the internet and wireless service requires a substantial upfront investment in the equipment, as well as payment for internet or wireless provider, and is not a true substitute for DA from Qwest. Also internet databases may not be as up-to-date and

¹⁰ Rebuttal Testimony of David Teitzel, page 5, lines 9-16.

¹¹ PSC 02-019 (proprietary).

error-free as the incumbent local service provider listings. MCC argues that Qwest has not shown there to be any significant competition to its DA service and there is certainly not competition that meets the level that MCC argues is necessary for workable competition. Mr. Buckalew estimates that Qwest has approximately 60 percent of the market for DA service in Montana. MCC argues that before Qwest's services are detariffed, there should be proof of "workable competition" in the marketplace in which these services are offered. Workable competition as defined by witness Buckalew means "a large number of service providers, none of whom have the ability to influence prices." Mr. Buckalew recommends using a 30 percent market share as the quantitative measurement whereby the market would be considered "workably competitive." He argues that declining DA volume is a lagged response to the 1989 price change from 37 cents to 40 cents per DA call and the concurrent reduction from 5 to 3 no charge calls per month.¹³

Commission Decision

36. The Commission determines that the rates for DA should be detariffed. The most pervasive competition to telephone DA provided by Qwest, other than the local printed directories, is DA provided by IXC's. The amount of competition depends on the level of effort by the IXC's to inform consumers about the availability of this service. This competition has increased recently, largely as a result of AT&T's marketing campaign to promote its directory assistance service, available through "00", 10-10-ATT-00, or 1-800-CALL ATT. Currently most or all major IXC's charge more than Qwest for DA, even at the 85 cent level for National DA.

37. Qwest suggests that directory service provided by CLEC's (competitive local exchange carriers) is another form of competition. However, with the exception of a couple of small towns in Montana, there is still minimal direct competition from CLECs.¹⁴ In the context

¹² MCC 01-005.

¹³ Docket Nos. 88.1.2, 88.9.33, 88.8.44, Order No. 5354d.

¹⁴ Although the Commission has approved numerous collocation and interconnection agreements, the level of actual competition in the market for local services is still quite small. According to information filed in D2000.2.21 by Qwest, the number of access lines lost to CLECs is still only 2 percent in the state (the actual number is proprietary).

of the Qwest service territory within the state, the impact of this alternative is likely insignificant for the near term.

38. As to wireless and internet-based DA, Qwest does not provide any direct estimates or information on the migration of DA to these alternatives, although it does provide information on the use of personal computers and internet service in Montana. But the consistent and significant decline in the volume of DA indicates these alternatives are likely making inroads into the overall market. MCC witness Buckalew argues that the volume decrease is a result of the persistent impact of the reduction in free calls to 3 from 5 and the increase in DA price. The Commission agrees that the impact may have been unusually lagged for a consumer product, mainly because most consumers do not use DA often, but is skeptical that a change made in 1989 would account for much of the recent decline in DA volumes. It seems more likely that alternatives to phone DA are making inroads in volume and reducing Qwest's market share of DA.

39. As in the recent detariffing of intraLATA toll and operator services proceeding,¹⁵ the Commission finds that residential customers and business customers are in different positions with regard to DA alternatives and competition. The statutory language regarding detariffing provides the Commission the ability to take into account the differences between classes.¹⁶ According to the information contained in Qwest's response to data request PSC 02-019, residential users have a lesser ability to access DA through alternative means. One group of concern to this Commission is the elderly who may find it more difficult to find and read numbers in the printed directory and who are unlikely to use alternatives such as internet DA. Retaining the current number of no charge calls would mean that most residential consumers could continue to access numbers not available in the printed directory without incurring a charge. In order to protect the public interest and maintain universal service the Commission finds that the existing level of three no charge calls per month should be retained for residential customers.

40. Based on the information contained in PSC 02-019, page 6, business class customers are more responsive to changes in prices than are residential customers, seeking out

¹⁵ Docket No. D99.8.205.

alternatives even at current prices. As a group they have more ready access to alternatives such as internet DA service and the interest and ability to control their DA costs.

41. The Commission determines that the existing terms and conditions section at 6.2.4A2b, which sets out the monthly three-DA call allowance, shall be retained in the tariffs for residential customers. The existing terms and conditions that provide for free DA for special needs persons who are not able to use a telephone directory shall also be retained in the tariffs. Consistent with statutory requirements and alternative regulation practices Qwest shall maintain a current price list with the Commission and shall serve copies of filings on its competitors. If Qwest files a price list change it must provide cost information supporting that it has met the statutory requirements that prices be above relevant incremental costs and prohibiting cross-subsidization.¹⁷

Impact of Detariffing on Consumers

42. Based on the record concerning customer usage with three no charge calls the Commission believes that there will be comparatively little impact on residential consumers of detariffing because the three no charge calls are retained. Only a small share of the residential customers using DA service use more than three DA calls in any one month. There will be a greater impact on business customers because of the elimination of no charge calls and detariffing. However, the volume of DA calls for this group has been dropping indicating that these customers either have less need of DA or are using alternatives. As noted above, business customers are more likely to have other alternatives available, such as internet DA.

Commission Decision

43. However, the Commission believes there is a significant issue with consumer understanding of alternatives and the costs associated with those alternatives. Little direct information was provided by the company concerning consumer understanding of these alternatives (and therefore the real level of competition), other than that provided in the response to PSC 02-019. However, it is clear from that response that many consumers, particularly

¹⁶ Sections 69-3-802 and 807, MCA.

residential consumers, do not understand well their options for DA and prices of those options. A clear understanding by consumers of what they are buying and the costs of alternatives is a key ingredient in a well functioning market. The Commission finds that any change in Qwest's DA detariffed prices must be preceded by clear, written notification that is sent to all affected customers prior to implementation of the price change. Qwest is directed to provide to the Commission within 30 days of this order a price change notification plan that the company will use on an ongoing basis to inform customers of any DA price changes before the price changes take effect. The plan should describe the method and timeline of notification that will ensure customers receive the notification prior to the changed rates taking effect and include proposed generic language for price change notices.

Costs of Providing Directory Service

44. According to Qwest's witness David Teitzel the cost per call of DA is approximately (proprietary) cents¹⁸ and the entire cost of providing no charge DA calls is (proprietary).¹⁹ However this is not a revenue requirements or cost of service case in which revenues and costs were examined or debated. Mr. Teitzel when questioned at the hearing by Commissioner Rowe responded that he was not authorized to commit to a filing on revenues or costs. However in its reply brief filed November 17, 2000, Qwest stated that "If it aids the Commission's deliberations in this docket, Qwest would agree to tie any elimination of the free call allowance to a matching reduction in its toll prices."

Commission Decision

45. Qwest's proposal to tie elimination of the free call allowance to a matching reduction in its toll prices came in a brief. Addressing revenues generated by the free call allowance elimination via intraLATA toll prices is problematic at best since the Commission

¹⁷ See § 69-3-811, MCA, and ARM 38.5.2713 and § 69-3-806 and ARM 38.5.2709.

¹⁸ Mr. Teitzel's estimate of cost in his testimony at the hearing differs from the fully allocated cost per call provided by Qwest in response to PSC 01-009, Confidential Attachment B.

¹⁹ Transcript of testimony of David Teitzel, hearing on September 5, 2000, p.32, lines 4-5. These cost estimates have not been reviewed for their validity and how they were developed is not on the record in this case.

detariffed those rates for business customers in Docket No. D99.8.205.²⁰ Under the more relaxed regulatory process maintained after detariffing, Qwest will change its prices by making a price list filing with the Commission. Price list changes go into effect with seven days notice and do not require Commission approval. The Commission approved detariffing of intraLATA toll for business lines in recognition of the growth in competitive alternatives, especially since implementation of 1+ intraLATA presubscription in February 1999.²¹ Choosing to credit these revenues against intraLATA toll rates is inconsistent with the Commission's determination that reduction of regulatory oversight is appropriate and timely for those services. The Commission will have limited ability to ensure that the revenues are appropriately credited and are not used in a way contrary to important policy goals, such as encouragement of competition in the telecommunications industry.

46. Instead the Commission determines that the revenues generated by the elimination of free business calls for DA are more appropriately credited against local service rates for business line customers. Consequently Qwest is directed to make a compliance filing which appropriately reduces the monthly local service rates for business lines customers at the same time it files its revised directory assistance tariffs. Workpapers showing the calculations and values used to make those calculations shall accompany these revised business line tariffs.

CONCLUSIONS OF LAW

1. The Commission has authority to supervise, regulate and control public utilities. Section 69-3-102, MCA. Qwest is a public utility offering regulated telecommunications services in the State of Montana. Section 69-3-101, MCA.

2. The Commission has authority to do all things necessary and convenient in the exercise of powers granted to it by the Montana Legislature and to regulate the mode and manner of all investigations and hearings of public utilities and other parties before it. Section 69-3-103, MCA.

²⁰ See Docket No. D99.8.205, Order No. 6198b, November 3, 2000.

²¹ See ARM 38.5.4103.

3. Adequate public notice and an opportunity to be heard has been provided to all interested parties in this Docket, as required by the Montana Administrative Procedure Act, Title 2, Chapter 4, MCA.

4. The Commission may authorize the provision of regulated telecommunications service under terms and conditions that best serve the policy of the state of Montana, and may authorize the detariffing of telecommunications services totally, or in part. Section 69-3-807, MCA.

ORDER

Therefore, based on the foregoing, it is ordered that Qwest's filing to detariff its directory assistance service is approved in part, denied in part, and made conditional in part on certain business line revenue adjustments, as described and discussed herein.

DONE AND DATED this 19th day of December, 2000, by a vote of 3 to 2.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman
Voting to Dissent

NANCY McCaffree, Vice Chair

BOB ANDERSON, Commissioner

GARY FELAND, Commissioner
Voting to Dissent

BOB ROWE, Commissioner

ATTEST:

Ann Purcell
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision.
A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.